(c) whether funds are being separately set up to compensate the depositors either in whole or in part?

THE MINISTER OF STATE IN THE MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES AND PENSIONS AND THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI R. JANARTHANAM): (a) Reserve Bank of India (RBI) have reported that under the present system, the data relating to loss suffered by the depositors because of irregularities in Non Banking Financial Companies is not generated.

(b) RBI Act 1934 which was amended in January, 1997 vests additional powers in the RBI. Consequent to this Amendment, RBI with a view to protecting the interest of the depositors and providing more effective supervision over Non Banking Financial Companies (NBFCs), particularly those accepting public deposits, announced a new regulatory framework on 2.1.1998, covering inter alia, acceptance of public deposits, prudential norms to be observed by NBFCs and the role of Auditors of NBFCs. These directions have been subsequently modified on January 31 and May 12, 1998. The revised regulations stipulate an upper limit of public deposit which NBFCs can accept and which limit is linked to the credit rating by an approved rating agency. There is no proposal at present for further legislative amendments in this regard.

(c) There is no proposal to set up a separate fund to compensate the depositors either in whole or in part.

Replacement of FERA by FEMA

1436. SHRI JOYANTA ROY: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the Foreign Exchange Management Act (FEMA), supposed to replace the existing Foreign Exchange Regulation Act (FERA) is likely to be passed in the Budget Session of Parliament.

(b) if so, the details thereof and whether the aforesaid Bill for liberalising the foreign exchange regime is in tune with the global financial trends; and

(c) if not, the reasons therefor and by when Government proposes to enact this legislation as part of the financial reforms?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) to (c) The Government proposes to repeal FERA, 1973 and replace it by Foreign Exchange Management Act (FEMA). The draft of the new Act is under consideration of the Government. It is proposed to introduce the FEMA Bill in the Budget Session of the Parliament.

**Guidelines for NBFCs**

1437. SHRI JOYANTA ROY: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the Reserve Bank of India (RBI) have recently promulgated specific guidelines wherein they have prohibited all Non-Banking Financial Companies (NBFCs) from acquiring permanent assets if they have failed to repay the investors' money;

(b) if so, the details thereof and whether these guidelines whould be equally applicable to Residuary Non-Banking Companies (RNBCs) also and if not, whether a separate set of orders would be issued for them; and

(c)- what machinery has been/is proposed to be drawn up by the R.B.I, to monitor the strict adherence of these guidelines by the concerned companies?

THE MINISTER OF STATE IN THE MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES AND PENSIONS AND THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI R. JANARTHANAM): (a) Yes, Sir.

(b) A new paragraph 11A has been inserted m the Non Banking Financial Companies prudential Norms (Reserve

Bank) Directions, 1998 which read as under:

*"NBFCs failing to repay public deposits prohibited from making loans and investments*

11. An NBFC which has failed to repay may public deposit or part thereof in accordance with the terms and conditions of such deposit, as provided in section 45QA(1) of the Reserve Bank of India Act, 1934 (2 of 1934) shall not grant any loan or other credit facility by whatever name called or make any investment or create any other asset as long as the default exists."

The above directions would also be applicable to Residuary Non-Banking Companies (RNBCs).

(c) The compliance with these norms shall be monitored through the half-yearly Return on Prudential Norms to be submitted to Reserve Bank of India by all the NBFCs including RNBCs accepting/holding public deposits. Periodical on-site inspection being conducted by RBI also covers aspects relating to compliance with various directions issued by them.

**Equity or LIC/GICUT1 in Dunlop India Limited**

1438. SHRI JIBON ROY: Will the Minister of FINANCE be pleased to state:

(a) the equity of LIC, GIC and UTI in Dunlop India Limited (DIL);

(b) the number of nominees in the Dunlop India Limited Board;

(c) steps taken by nominee members to arrest financial irregularities in the company; and

(d) the stand of LIC, GIC and UTI on the alleged sickness of the company by Dunlop India Limited Board?

THE MINISTER OF STATE IN THE MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES AND PENSIONS AND THE MINISTER OF STATE IN THE M1NISTERY OF FINANCE (SHRI R. JANARTHANAM): (a) The requisite information is as under:—

| | |
|---|---|
| LIC | 19.64% |
| GIC | 6.07% |
| UTI | 3.70% |

(b) The Nominee Director of LIC on the Dunlop India Board represents the interest of other financial institutions also.

(c) The Nominee Director of the institutions has been expressing the views and concerns of the institutions in the Board Meetings of the company from time to time and reporting the feedback to the financial institutions.

(d) BIFR has already appointed IDBI to prepare a report for ascertaining whether the company could be declared to be a 'sick' company. Further action as necessary would be taken by the financial institutions on receipt of BIFR orders in the matter.

**Relaxation of Lending norms for Infrastructure Projects**

1439. SHRI V.P. DURAISAMY: Will the Minister of FINANCE be pleased to state:

(a) when the lending norms pertaining to infrastructure projects were relaxed by the Reserve Bank of India last;

(b) the quantum of funds released for such projects after the relaxation; and

(c) the banks that released funds for this purpose, State-wise?

THE MINISTER OF STATE IN THE MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES AND SIONS AND THE MINISTER OF STATE IN THE MINISTERY OF FINANCE (SHRI R. JANARTHANAM): (a) Reserve Bank of India (RBI) has reported prior to September 1997, RBI had stipuiated a condition that bank in consortia/ syndicate may sanction term loans for technically feasible, financially viable and